

Message Text

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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMCONSUL HONG KONG PRIORITY

INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 098659

TOKYO FOR JURICH

E.O.11652:N/A

TAGS: ETRD, HK, JA

SUBJECT:US/HK UILATERAL TEXTILE CONSULTATIONS

REF: HOWARTH LETTER MAY 2, 1974

1. HK DEL, CHAIRED 0Y LAWRENCE MILLS, AND US DEL, CHAIRED
BY ANTHONY JURICH, MET IN WASHINGTON MAY 6 THROUGH MAY 10.
MEMORANDUM OF UNDERSTANDING INITIALLED MAY 10 ON NEW THREE
YEAR MULTIFIBER BILATERAL TEXTILE AGREEMENT TO ENTER INTO
FORCE OCTOBER 1, 1974UPON EXCHANGE OF NOTES.

2. NEW AGREEMENT WILL HAVE SINGLE AGGREGATE FOR FIRST YEAR
OF 835,287,422 SYE BROKEN DOWN AS FOLLOWS:

A) GROUP I - YARN AND FA0RIC OF COTTON AND/OR MAN-MADE
FIBER (CATEGORIES 1-27 AND 200-213). FIRST YEAR LEVEL
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227,046,661 SYE

B) GROUP II - APPAREL OF COTTON AND/OR MAN-MADE FIBER
(CATEGORIES 39-63 AND 214-240) FIRST YEAR LEVEL 515,760,333
SYE

C) GROUP III - MADE-UP AND MISCELLANEOUS GOODS OF COTTON
AND/OR MAN-MADE FIBER (CATEGORIES 28-38, 64 AND 241-243.
FIRST YEAR LEVEL 51,268,388 SYE

D) GROUP IV - WOOL TEXTILE PRODUCTS (CATEGORIES 101-132)
FIRST YEAR LEVEL 41,212,046 SYE

3. GROUP SWING 15 PERCENT, 7 PERCENT, 15 PERCENT, AND
1 PERCENT RESPECTIVELY.

4. CATEGORY SWING WITHIN EACH GROUP 10 PERCENT, 7 PERCENT,
10 PERCENT, AND 5 PERCENT RESPECTIVELY.

5. GROWTH 6.25 PERCENT ON AGGREGATE BUT WITHIN THAT LIMIT
GROUP IV INCREASED BY ONLY 1 PERCENT. SPECIFIC LIMITS
INCREASED BY 6.25 PERCENT ANNUALLY EXCEPT GROUP IV WHICH
IS 1 PERCENT ANNUALLY.

6. 11 PERCENT CARRY FORWARD AND/OR CARRYOVER OF WHICH
CARRY FORWARD MAY NOT EXCEED 6 PERCENT.

7. SPECIFIC LIMITS ESTABLISHED FOR 9/10, 22/23,
EX 26/EX 27, 41/42, 43/EX 62, 45/46/47, 48, 49, 50/51,
WITH SUBLIMITS, 52, 54/EX 63, 60, 216, 219, 221, 222,
EX 224 (MEN'S AND BOYS SUITS) EX 224 (WOMEN'S GIRLS AND
INFANTS SUITS) EX 224 (COATS AND JACKETS), 229, 237, AND
116/117. ALL OTHER CATEGORIES IN BASKET.

8. BASKET CATEGORIES WILL BE UNDER NEW CONSULTATION
PROCEDURES BASED ON HK EXPORT AUTHORIZATION SYSTEM (EA).
HK WILL PROVIDE US WITH FREQUENT EA REPORTS ON ALL
CATEGORIES (AT LEAST INITIALLY). US MAY REQUEST
CONSULTATIONS WHENEVER, IN US VIEW, LIMITATION ON A BASKET
CATEGORY NECESSARY TO ELIMINATE REAL RISKS OF MARKET
DISRUPTION. UPON RECEIPT US REQUEST, HK WILL CEASE
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FURTHER ISSUANCE EA IN SUCH CATEGORY (EA'S ISSUED PRIOR
RECEIPT OF US REQUEST MAY BE HONORED). CONSULTATIONS WILL
BE HELD WITHIN 30 DAYS OF REQUEST AND IF NO AGREEMENT
REACHED IN CONSULTATIONS HK WILL NOT ISSUE ANY FURTHER
EA'S IN SUBJECT CATEGORY IN AGREEMENT YEAR. HK ALSO
UNDERTAKES ADVISE US IMMEDIATELY OF ANY EXCEPTIONALLY
LARGE EA'S OR UNUSUAL CONCENTRATION.

9. NET EFFECT OF 8 ABOVE IS TO GIVE HK POTENTIAL OF UP TO 100 PERCENT INTERFIBER FLEXIBILITY IN THE BASKET, SUBJECT TO US CALLS WHILE AT THE SAME TIME RETAINING FOR US ULTIMATE CONTROL. AT LATER DATE PROCEDURES WILL HAVE TO BE WORKED OUT BETWEEN CONGEN, DC I, AND DEPARTMENT FOR EA NOTIFICATIONS.

10. COPY OF MEMORANDUM FOR CONGEN'S INTERNAL USE ONLY

BEING AIRPOUCHED.

11. USG PLEASED OUTCOME THESE CONSULTATIONS WHICH WERE MARKED BY ABSENCE OF HK POSTURING. BOTH SIDES WORKED SERIOUSLY TO REACH AGREEMENT AND USG BELIEVES TERMS OF PROPOSED BILATERAL MORE THAN MEET SPIRIT AND INTENT OF MFA TO LIBERALIZE TEXTILE TRADE WHILE AVOIDING REAL RISKS OF MARKET DISRUPTION. RUSH

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